

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

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**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

**770 L Street, Room 1160
Sacramento, CA**

**Minutes of Meeting
April 7, 2011**

COMMISSIONERS PRESENT

Michele Burton, M.P.H.
Daniel Eaton
Diane Griffiths
Marvin Kropke

COMMISSIONERS ABSENT

Vicki Marti

CMAC STAFF PRESENT

J. Keith Berger, Executive Director
Tacia Carroll
Paul Cerles
Nathan Davis
Denise DeTrano
Keith Farley
Dana Griggs
Katie Knudson
Marilyn Nishikawa
Becky Swol
Mike Tagupa
Karen Thalhammer

EX-OFFICIO MEMBERS PRESENT

Bob Sands, Department of Health Care Services
Richard Sanchez, Department of Health Care Services
Robert Nelson, Department of Finance

EX-OFFICIO MEMBERS ABSENT**I. Call to Order**

The April 7, 2011 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Commissioner Eaton. A quorum was present.

II. Approval of Minutes

The March 24, 2011 meeting minutes were approved as prepared by CMAC staff.

III. Executive Director's Report

J. Keith Berger, Executive Director, began his report with a reminder to members of the public that the FY 2011-12 meeting schedule is now available online on the CMAC website and it is also available here at the meeting with the other public handouts.

Mr. Berger reported to the Commissioners on the state budget. He indicated that the trailer bills Mr. Nelson from Department of Finance (DOF) summarized at the last Commission meeting were signed by the Governor. At the last Commission meeting on March 24th, Mr. Berger noted he had reported that those bills reduced the budget deficit by about \$14 billion, but that his understanding now is that the actual amount is \$11.2 billion.

Mr. Berger noted that the Governor had expressed hope to move forward with the Legislature and address the remaining budget deficit. He said news reports indicate those discussions have not been successful, and the Governor is exploring other options. Mr. Berger also welcomed any additional specific budget-related comments from the ex-officio members.

Mr. Berger reported that SB 90 and AB 113 were amended late last week to address a number of issues, including but not limited to the hospital quality assurance fee, the Medi-Cal hospital rate freeze, an intergovernmental transfer-based payment program for non-designated public hospitals and new seismic safety deadlines. The bills have moved quickly through the Legislature, and Mr. Berger asked the ex-officio members if they would provide additional detail on those bills, as they will have a big impact on hospital reimbursement for at least the next six months.

Mr. Berger welcomed Bob Sands, Chief of the Safety Net Financing Division, Department of Health Care Services (DHCS); he is here to help the Commission better understand SB 90 and AB 113 as well as other DHCS issues related to the Medi-Cal program.

IV. Department of Health Care Services (DHCS) Report

Mr. Bob Sands, reported to the Commission on SB 90 and AB 113 and on the status of the development process for the new Diagnostic-Related Group (DRG) reimbursement methodology. The budget trailer bills last year placed a freeze on Medi-Cal hospital inpatient rates, and also required the DHCS to develop this new DRG payment methodology for inpatient hospital care. He said DHCS will begin their workgroup meetings this later month or the early part of May and that the meetings will be held once a month to include many internal divisions within DHCS. Mr. Sands indicated that CMAC staff have been invited to participate in those meetings. Separately, the California Hospital Association (CHA) is

assisting in forming a workgroup of hospitals that will meet with DHCS to work on developing the new DRG methodology. DHCS is looking for consensus, if possible, from the hospital community. DHCS is required by statute to have the new methodology implemented by July 1, 2012. DHCS is hoping to complete the essential features of the new methodology by the end of this calendar year and then have six months to implement whatever has been determined to be the new methodology. Mr. Sands continued that DHCS would be reporting on the status and progress at future Commission meetings.

Mr. Sands explained there have been many hearings regarding SB 90 and AB 113 the last two days and, as Mr. Berger reported, the bills are moving quickly through the Legislature, and are expected to go to the Governor today or early next week. He noted SB 90 and AB113 would provide substantial new money to hospitals with the continuation of the quality assurance fee (QAF) program, through a six-month extension, with a few modifications, of the existing QAF program that expired December 31, 2010.

Mr. Sands stated less federal money would be received under the new six-month QAF program because the Federal Medical Assistance Percentage (FMAP) rate was scaled down, but it will still provide a substantial amount of additional revenue to hospitals. The new quality assurance fee program package will also increase the funds provided to the state from the QAF program. Previously, the state received \$80 million per quarter or \$320 million per year. SB 90 provides the state with \$210 million for the six months, an increase of \$25 million per quarter. The increase would go towards supporting children's health coverage, as does the original \$80 million per quarter. He continued that if a new ongoing QAF program is adopted by the Legislature for FY 2011-12, there is a commitment in the bills that the State will continue to receive the \$320 million annual amount. That provision is tied to an extension of the seismic safety deadline for hospitals from 2013 to 2020. The Office of Statewide Health Planning and Development (OSHPD) would determine which hospitals will receive an extension, based on each hospital's needs, up to the full seven-year time period. He also noted there are approximately 50 hospitals that fall in the category that without this extension, would probably have to close down at least some if not all of their buildings.

Mr. Sands informed the Commission that litigation continues for the rate freeze that was passed as part of this year's budget solution. SB 90 would repeal the rate freeze prospectively, and would also go back retroactively to the beginning of the fiscal year. This will result in a loss to the General Fund of \$38 million for the current year, and \$107 million for the budget year, though because of the litigation, the State was not likely to achieve those savings in the near term so was not counting on these savings in the current budget. To help offset those losses, SB 90 would reduce the Disproportionate Share Hospital (DSH) replacement funds to private hospitals, \$30 million in the current year and \$75 million in the budget year, which is still a small percentage of total DSH replacement funds. He continued that since 2009, there has been a 10% reduction in payments to most non-contract hospitals. This legislation would prospectively repeal the 10% reduction. With the enactment of SB 90, the CHA has agreed to drop their litigation on that issue and on the rate freeze.

Mr. Sands explained that SB 90 and AB 113 have a critical element for the California Medical Assistance Commission (CMAC). These bills have provisions that create a new intergovernmental transfer (IGT) program for non-designated public hospitals (NDPH). He further explained that CMAC currently negotiates with NDPHs and provides opportunities for those hospitals to make IGT payments and receive supplemental payments. SB 90 would replace the current IGT negotiations for NDPHs with a new formula-based methodology that will exclusively be handled by DHCS. Specific criteria outlined in the bill would be used to determine hospitals' ability to utilize the new IGT program. There are two program components: a pool for contract hospitals and one for non-contract hospitals. This is designed to encourage the NDPHs that have a contract to remain in the contracting program.

Overall, the programs in these bills are expected to provide a gain to the State of California's general fund of about \$500 million over two years.

V. Department of Finance (DOF) Report

Robert Nelson, DOF, had no budget updates to report, but informed the Commission that the Department of Finance supports both SB 90 and AB 113.

VI. Public Comments/Adjournment

Hrant Kouyoumdjian, Ph.D., Health Care Management Consulting, requested clarification of the SB 90 rate freeze; asking if payment would be effective the date of the bill, or from the date of the rate freeze. Mr. Sands answered that the payments would be unfrozen retroactive to the effective date of the rate freeze, and adjustments would be made once the legislation is enacted. Dr. Kouyoumdjian also asked if there would be interest accrued. Mr. Sands stated that there was no provision for interest payments.

There being no further public comments, Commissioner Eaton recessed the open session. Commissioner Eaton opened the closed session, and after closed session items were addressed, adjourned the closed session at which time the Commission reconvened in open session. Commissioner Eaton announced that the Commission had taken action on hospital contracts and amendments in closed session. The open session was then adjourned.